NEW BRUNSWICK CROP
INSURANCE COMMISSION
P.O. BOX 6000
FREDERICTON, N.B. E3B 5H1

LA COMMISSION
DE L'ASSURANCE-RECOLTE
DU NOUVEAU-BRUNSWICK
C.P. 6000
FREDERICTON, N.-B. E3B 5H1

REVIEW OF THE CROP INSURANCE PROGRAM

One step in the review process was the consultation of agricultural organizations to determine their point of view concerning the improvement of the crop insurance program.

This publication contains the submissions received by the Review Committee in Fredericton June 26-27, 1989.

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L'EXAMEN DE L'ASSURANCE-RÉCOLTE

Une des étapes de l'examen était la consultation des organisations agricoles pour déterminer leurs points de vue au sujet de l'amélioration du programme de l'assurance-récolte.

Ce document contient les commentaires qui ont été reçus par le comité de l'examen à Fredericton, le 26 et 27 juin, 1989.

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N.B. Federation of Agriculture

N.B. Soil & Crop Improvement Association

Fédération des Agriculteurs et Agricultrices Francophones du N.-B.

N.B. Potato Agency/L'Agence de pommes de terre du N.-B.

N.B. Seed Potato Growers Association

N.B. Grain Growers Association

PRESENTATION TO

THE CROP INSURANCE REVIEW COMMITTEE

SUBMITTED BY

THE NB FRUIT GROWERS ASSOCIATION

June 26, 1989

PRESENTATION TO

THE CROP INSURANCE REVIEW COMMITTEE

SUBMITTED BY

THE NB FRUIT GROWERS ASSOCIATION

The NB Fruit Growers Association is pleased to have the opportunity to bring the concerns of the New Brunswick apple growers to the Crop Insurance Review Committee. Over the past few years, a committee of the Association has been working with representatives from the local Crop Insurance Commission in an effort to change and improve the insurance program for apples in the province. We therefore welcome the review that is currently being undertaken and appreciate the opportunity to participate in the process.

The Association is particularly concerned with the lack of grower participation in the Crop Insurance Program for apples. Currently, only 14 growers out of a possible 60 are enrolled. It is our belief that this is caused by the cost of the program and the benefits perceived relative to that cost. As a result, the Crop Insurance Committee has been working toward a program that would (a) maintain the current cost structure, but offer more coverage or (b) offer the current coverage at lower cost. We sincerely feel that this is the only way to achieve more grower participation in the program.

In this presentation we would like to bring to your attention the "character" of the product being insured and the problem areas in the present program as well as offer some suggestions as to how the program could be improved.

OVERVIEW OF THE INDUSTRY

The apple industry in New Brunswick is placed at risk by hail, frost, wind and no crop (i.e. a loss of crop as a result of poor pollination, etc). Other threats exist, but none measure in magnitude to the damage that can be created by these four. To have access to insurance against hail, frost, wind and no crop is critical, and must be the basis of any insurance program.

A particular characteristic of the industry is its "long term" nature. An orchard may take from 5 to 7 years from planting to measurable production with many years of cost being experienced before any return is received. This is an important consideration: a loss in any one year leaves that particular orchardist facing several years of recuperation. We cannot simply replant and have a crop the next year. As well, damage is greater if an orchard 5 years old, producing a first year light crop, is struck by hail than a newly planted block. Our crop is not planted and harvested yearly, and an insurance program must take that into consideration.

PRESENT PROGRAM

Our concerns with the present program are as follows:

1. PAYOUT: Under the present system there must be a major loss before a payment is triggered. We feel the 80% coverage to be insufficient as it does not provide a protection relative to the investment a producer makes in the program. In our calculations, a producer would have to suffer a 50% loss before enough money is returned to cover the premium paid. This is not adequate.

2. CALCULATION OF AVERAGE PRODUCTION: At present time, in the year a hail loss (for example) occurs, the production of that year is recorded as 0 in that particular producers average production calculation. However, this orchard has produced a crop that although not marketable for FANCY, could be sold as hail grade or juice. To record the crop as 0 because it was damaged unfairly distorts the historic records and is, in reality, totally untrue. Premiums are paid on production and production as is, damaged or not, must be recorded.

3. TREE INSURANCE: The tree insurance rider is not used in New Brunswick, which testifies to its ineffectiveness. To make a claim based on a 3% deductible is not worthwhile to the producer. In addition, the return of "the cost of the tree" does not recognize the costs that were incurred planting and bringing that tree to the point where it was at the time of damage, nor does it compensate the grower for the loss he will incur now that that tree will not bear fruit and the 7 year cycle must again be started.

4. NEW PRODUCERS: We would like to signal a potential abuse of the system that could occur in the area of new entrants. Currently, new producers enter the program based on the average yield of the province and we foresee problems if those producers are not actually meeting the average at the time of joining.

5. QUALITY/QUANTITY LOSS: The concept of quality loss, i.e. paying for those apples that are determined unmarketable as a FANCY grade after damage occurs does not work. The percentage of the crop that is determined in the fall never translates into the amount packed out.

6. MEASURING: There is a need to accurately measure the acreage of orchards being insured; problems of missing rows, road ways, etc. are encountered at present by the producers.

RECOMMENDATIONS

We offer the following for consideration by the review committee:

1. The payout percentages should be changed to cover all loss, with no deductible. Further, we would propose a flexible payout, dependent on the time the damage occurs; i.e. payout of a claim at the time of harvest would be greater than a claim in the spring.

2. The production of a grower should not be recorded as 0 in the year a loss is claimed unless the apples are truly not produced. All production in a season should be recorded as what was actually produced, regardless of its market condition.

3. The elimination of the tree insurance rider in the current program or a complete overhaul to make insurance of trees a worthwhile venture.

4. A producer requesting crop insurance be obliged to have 1 year of production records before entry and that his average be compared to the provincial average with appropriate premiums being calculated.

5. The concept of quality loss be replaced with quantity loss. Payout should be based on the quantity of apples lost. In addition to this, after loss and evaluation by the Commission, the producer should be paid for his loss and then be given the choice to pack his product or leave it on the ground. Often, the cost of salvage, given the condition of the damaged crop, is less than the producer could expect as a return in the market, given that the markets for CEE and HAIL grades are very limited. It would have, therefore, been more economical to have left the crop in the orchard.

6. A provision to cover damage occurring in storage that can be directly traced to production should be included in the program. All aspects of production should be covered by any crop insurance program however, at present coverage is not extended past harvest although many production problems are discovered at a much later date.

7. "Spot loss" is coverage required by apple growers. Currently, all blocks of orchards must be damaged by the insured peril before a claim can be filed. It would be beneficial to be able to make a claim for loss when only one section of the insured orchard is damaged. Variety coverage is also an option for consideration.

8. The Association's Crop Insurance Committee would be interested in examining the cost effectiveness of a basic insurance to cover hail, frost, wind and no crop coupled with an optional package to include such coverage as wild life damage, winter injury, variety insurance, spot loss and loss of trees. However, our basic principle still exists--we must strive to maintain the current cost structure with more coverage or the current coverage at less cost. We ask that you retain that principle when considering any changes to the apple program in New Brunswick.

We once again thank you for your invitation to participate in this review process and trust our concerns will be given consideration in the establishment of a new program for apples. We are concerned that the process of review appears to be accelerated to such an extent that a new program is established without further consultation with the industry as to where priorities should be, etc. We would encourage continuing the consultative process throughout the review. Thank you.

PRESENTATION TO

THE CROP INSURANCE REVIEW COMMITTEE

SUBMITTED BY

THE NB GREENHOUSE PRODUCTS MARKETING BOARD

June 26, 1989

PRESENTATION TO

THE CROP INSURANCE REVIEW COMMITTEE

SUBMITTED BY

THE NB GREENHOUSE PRODUCTS MARKETING BOARD

The NB Greenhouse Products Marketing Board appreciates the invitation to participate in the review process being undertaken by the Crop Insurance Review Committee. The Board represents the interests of producers of bedding plants (ie flower and vegetable transplants), a commodity valued at over 5 million dollars. Currently, producer records indicate 115+ greenhouses in the province.

At the present time, bedding plants are not covered by any Crop Insurance Program in the province. Our intention today is to petition the Review Committee to consider the inclusion of this commodity in the new insurance program that is being drafted.

In the private sector, producers can access structural insurance, i.e. insurance on their greenhouses against damage by fire or other forces (snow, wind, etc). In most cases this covers the steel/wooden frame and plastic/glass covering. The crop itself is not insurable however and extensive loss can be experienced because of structural damage (a greenhouse that collapses on a crop as the result of a wind storm) electrical/heating failure, or pest infestation. The greenhouse industry ask the Committee to consider providing coverage against these perils to its producers.

Although these requests are being made on behalf of the bedding plant industry, the greenhouse industry extends to potted plants, cut flowers and greenhouse vegetables as well. At present, the mandate of the NB Greenhouse Products Marketing Board does not extend to these branches of the industry and we are not prepared to make a statement or a request on their behalf. May we suggest, however, that the greenhouse industry as a whole be strongly considered as a future participant in the federal-provincial crop insurance program.

PRESENTATION MADE TO THE

NEW BRUNSWICK CROP INSURANCE COMMISSION

BY THE

NEW BRUNSWICK BLUEBERRY GROWERS ASSOCIATION

JUNE 26, 1989

A- BACKGROUND

The blueberry industry in New Brunswick has expanded rapidly over the last 10 years, growing from 3,000 ha in the late 70's to its current 5,000 ha. As a result of better management techniques being adopted by producers, average yields have increased from 500 kg/ha to over 2,000 kg/ha in many fields. As grower are investing more time and money in their fields they are becoming more concerned about crop losses and its effect on their operation.

Presently, the N.B. blueberry industry is not covered by crop insurance. While every year a few growers make mention of this program, most take the good years with the bad and even things out. Total crop losses in blueberries do not occur very often in New Brunswick. Fields are located all along the coast from Charlotte to Gloucester Co. and a problem encountered in one producing area usually is not felt elsewhere. Most crop losses are due to natural hazards such as frost, insect and disease problems. Hail or very heavy rains close to harvest are another concern. However, in most cases, crop reduction more than total crop loss is experienced. Since other factors such as winter injury, pollination and moisture availability also come into play, it is quite often difficult to relate how much of the crop losses are due to natural hazards. Very few statistics are currently available on this subject.

B- COMMENTS ON ISSUES THAT HAVE BEEN IDENTIFIED

GENERAL ISSUES

It is difficult for the NBBGA to comment on many of these since we currently do not participate in the Crop Insurance program. The lowbush blueberry industry is limited to eastern Canada and Maine, and this should be taken into account during the review process. Nova Scotia and Quebec currently offer crop insurance. Price stabilization for blueberries is being discussed, but no final decision has been made. Lowbush blueberries move freely from Canada to the United States and since 70% of New Brunswick blueberries go to Maine for processing, it is important that no trade barriers be established.

SPECIFIC ISSUES

Yield determination for lowbush blueberries may be somewhat difficult. Each field is different and not every grower keeps adequate production records. Also, blueberry fields are only harvested once every second year, which means premiums on a given field would only be paid once every two years. Yields also vary greatly from year to year due to factors that are not necessarily considered natural hazards such as winter injury, lack of pollination, uneven rainfall, etc. The impact of these factors is hard to measure but could reduce average yields significantly. Risk splitting might be an option

to consider. Yields also vary according to the level of management and this must not be covered under the program. In view of this, individual field coverage might be more appropriate. This would also look after the difference in yield between fields that are newly developed versus fields which have been in production for 10 years or more.

As for price, most growers in New Brunswick receive the same price for their blueberries (within 10-12 c/kg). Using the farm gate price would be easier than cost of production which varies greatly from field to field and from one operation to another.

Since there has only been a small number of inquiries from growers for a crop insurance program, the concept and features will have to be well developed and promoted to ensure a large participation.

C- DISCUSSING OPTIONS

-Changes within the existing legislation.

In the case of lowbush blueberries, a new policy would have to be developed. Risk areas would need to be identified, as well as occurrence when possible. Individual coverage would make the program more interesting to a wider group of producers.

-Incremental changes requiring legislative amendment.

To be able to approximate a producer's productive capability seems to be an advantage even though this would have to be related to the blueberry industry to see if it is advantageous. At this time, it seems that most growers would be satisfied with 80% of a producer's average yield and see no need to increase maximum coverage.

-A new look.

This option is probably the one best suited to the blueberry industry if it is to take part in a Crop Insurance program. A basic low cost package to offer basic coverage could cover frost damage for example. Other growers who want a larger coverage for other things such as diseases or hail damage could add on these features to their plan. This way each grower could have a policy custom-tailored to each situation, providing it does not cause too many administrative problems.

-Administrative improvements

While it is difficult for our association to comment on this point, it is clear that there must be appropriate education of the grower as to the benefits of the plan. It has to be sold to the grower, outlining the advantages and disadvantages. The plan has to be seen as fair and not as a way for the grower to get away with poor management techniques or for the government to take advantage of the growers.

Claims must be processed effectively and with as much fairness as possible from one situation to another.

D- CONCLUSION

It appears that the Crop Insurance review currently under way will bring the program more in line with the needs of the growers involved while taking in consideration the financial and administrative requirements of both levels of government. Once this review is completed and the changes have taken place, the New Brunswick Blueberry Growers Association should meet with the N.B. representatives of the Crop Insurance Commission to assess the possibility of having crop insurance offered to blueberry growers.

LA COOPÉRATIVE BAIE BLEUE LTÉE
Boîte 1385
Tracadie, N.-B.
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Le 21 juin 1989

RECEIVED
JUN 23 1989
REcU

Monsieur Paul Smith
La Commission de l'Assurance-Récolte
du Nouveau-Brunswick
C.P. 6000
Fredericton, NB
E3B 5H1

Monsieur Smith,

Par la présente, vous êtes prié de bien vouloir accepter le mémoire ci-joint en guise de présentation lors des audiences publiques du 27 juin.

Malheureusement, il nous a été impossible de déléguer une personne pour cette journée.

Sur ce, je vous prie d'agréer l'expression de nos salutations distinguées.

Charles Robichaud, Ptb.
Charles Robichaud, président

Vincent Basque m.s.
Vincent Basque, secrétaire

Mémoire soumis

à

La Commission de l'Assurance-Récolte

du Nouveau-Brunswick

lors des audience publiques

du 27 juin 1989

par

L'Association Coopérative Baie Bleue Ltée

Le 21 juin 1989

Mise en situation:

L'Association Coopérative Baie Bleue Ltée regroupe 64 producteurs membres de la région de la Péninsule Acadienne. Elle et a pour objectif de voir à la mise en marché des bleuets principalement, et autres petits fruits. A plus ou moins long terme, l'Assocation vise à dépasser le cadre de ses activités actuel par rapport au traitement des bleuets pour le marché frais en allant dans la transformation pour une valeur rajoutée à la production.

Lors d'une récente assemblée extraordinaire des membres, une proposition fut émise à l'effet que la coopérative intervienne auprès des autorités concernées vis-à-vis la question de l'assurance-récolte. Ceci, afin que soit accessible et abordable un tel service et surtout afin que le bleuet soit classé parmi les productions éligibles à l'assurance-récolte.

En effet, les membres se plaignent que les risques de gels ou de maladies peuvent sérieusement compromettre leur production ainsi que l'investissement qui lui est consacré.

Recommandations:

Par conséquent, les producteurs membres voudraient voir instaurer un mécanisme souple, adapté à leur production spécifique, en occurence le bleuet.

En ce sens, notre Association endosse les options proposées aux documents de travail, "Examen fédéral-provincial de l'assurance-récolte".

Ces options vous sont pour ainsi dire, ressoumises à titre de proposition vis-à-vis un nouveau programme adapté, les changements qui pourraient être apportés dans le cadre de la loi actuelle, les améliorations aux programmes existants et vis-à-vis les améliorations administratives en terme de flexibilité, (voir options du dudit document).

L'assurance-récolte pourrait faire l'objet de garanties basées sur les volumes et les prix estimatifs.

En ce qui a trait aux critères d'évaluation du volume de récolte de bleuets chez un producteur, il s'agirait de prendre la moyenne de production des cinq ou dix dernières années et en relation du nombre d'acres en production.

Pour l'évaluation de la valeur marchande du produit il s'agirait simplement d'offrir en guise de compensation la moyenne payée par les acheteurs durant l'année ainsi qu'en relation de la moyenne payée durant les cinq dernières années.

N,B. SEED POTATO GROWERS ASSOCIATION

BRIEF PRESENTED TO
THE FEDERAL-PROVINCIAL REVIEW OF
CROP INSURANCE
June 27, 1989

On behalf of the New Brunswick Seed Potato Growers Association, I wish to take this opportunity to express the concerns of the seed potato producers of New Brunswick. Any changes to be made to the crop insurance should be so as to give maximum coverage protection to the producer at a minimal premium cost. We also take into account the federal government's desire to have the crop insurance program self-sustaining in the coming years.

The first thing to be considered is the high cost of producing high quality seed potatoes as well as the risks involved in producing these seed potatoes.

The New Brunswick Seed Potato Growers Association expresses concern in a number of areas to be reviewed by the Crop Insurance Commission.

1. Bacterial Ring Rot Rider:

We do not feel that the rider for Bacterial Ring Rot presently included in the crop insurance contract is adequate. Bacterial Ring Rot is the number one concern of every seed potato grower in New Brunswick. A better compensation package must be considered which will compensate the producer to the maximum. Growers who become infected with B.R.R. surely need extra protection and if none is available to compensate fully, these growers will find themselves in a terrible financial bind which could have an irreversible effect on their farming operations.

2. Option coverage by variety:

We must also have the option to insure by variety rather then by offsetting coverage. Since many of the seed potato growers of New Brunswick produce more than one variety of seed potatoes, we feel the offsetting production coverage is not acceptable. New Brunswick seed growers must produce many varieties of seed potatoes to keep in business. You must produce what the customer wants, not always what you wish to produce. Each variety has its own yield capabilities as well as susceptability to the ever changing weather conditions of our province. It is for this reason that we feel the seed potato insurance production coverage should be dealt with on a variety basis.

3. Yield determination:

Many growers have expressed concern of how yield determination has come about. The New Brunswick Seed Potato Growers Association feels a better way of calculating each producer's acreage yield should be established.

Each section of our potato producing areas have different yield capabilities. It is therefore be easier to obtain an accurate acreage yield on a regional basis as opposed to a provincial acreage yield. We feel that this would be the base starting point to calculate an acreage yield for a first time insurance client if no previous production records are available. After these records are established, each grower will have an equal chance to prove himself as far as an attainable yield on his farm is concerned.

4. Self-sustaining program:

We also recognize the federal government's position on having the crop insurance program self-sustaining over the coming year. Many producers who have had to claim on crop insurance for a couple consecutive years, have had their acreage yields lowered to a point where they are paying larger premiums and getting less coverage. This has led to many producers to drop crop insurance over the past year. Usually in a situation like this, the producers remaining which continue to insure their potato production will have to pay higher premiums to keep the program self-sustaining. We feel this would be very unfair to the successful farmers who have proven themselves and not had previous claims.

We must have an incentive to keep these growers under the crop insurance program. The guaranteed production should never go below the regional acreage for each variety. Growers insure for production, therefore the production guarantee should not be lowered each successive year.

5. Potato Seed Certification Changes

There have been many changes in seed potato regulations of the past few years. There will be many more in the next years. There will be many more in the next years. Changes in the Crop insurance program will have to be made in order that the grower is to be fully protected should new regulations be introduced which might not be covered by the existing contract.

6. Federal-Provincial Contributions

Costs to the producer should not be increased. We feed the Federal and Provincial Contributions to the crop insurance program should remain the same. This will keep the insurance cost to the producer down thus creating an incentive to crop insure your production each year. These lower cost to the producer will inevitability be passed on to the consumer of our products each season.

We have outlined points in this brief which are of great concern to the New Brunswick Seed Potato industry. It is our hope that during the coming months as the review of the crop insurance program comes to an end, a program which will respond better to the needs of the producers will be established. The producers need a program which will be attractive to all growers so that everyone will become involved in the crop insurance program and thus the premiums will eventually be lowered.

Brian Adams, president
New Brunswick Seed Potato Growers Associa

POSITION PAPER

TO BE PRESENTED BY THE

NEW BRUNSWICK POTATO AGENCY

TO

THE FEDERAL-PROVINCIAL REVIEW OF

CROP INSURANCE

FREDERICTON, JUNE 26-27, 1989

INTRODUCTION

The New Brunswick Potato Agency welcomes the opportunity to present the views of New Brunswick potato producers regarding Crop Insurance. As representatives of potato producers, it is part of the Agency's responsibility to help them find a cost efficient way of insuring their production.

This review process has been under way for some time in other provinces and is now in place on a national scope, so New Brunswick must react swiftly if our needs are to be implemented within the policy for the next crop.

Considering the large capital investment and the high risk factor of potato production crop insurance has become essential as a management tool for producers. Yet many potato producers aren't carrying this insurance due to what they see as too high a cost of premium. Since food production is by nature a high risk venture and since a large amount of capital is involved, the producer needs an encompassing insurance plan which gives the maximum protection at the minimum cost.

To benefit the producer, we feel that a crop insurance program should meet the following criteria:

1. Stabilization and crop insurance programs should not be linked.
2. Increases in cost of insurance should not be shouldered by the producer.
3. Following a claim the average yield should be calculated using the area average for that year.
4. Producers buying crop insurance today should not be liable for the claims made by producers now out of business.
5. The crop insurance program should encompass a variety of options.
6. The bacterial ring rot eradication program should include a low cost compensation package.
7. Crop insurance must be adjusted to cover changes in seed regulations as those changes occur.
8. A way to speed up the processing of claims must be found.
9. A more comprehensive insurance coverage on a variety basis should be made available to the producer.

STABILIZATION/CROP INSURANCE

The New Brunswick Potato Agency questions whether stabilization and crop insurance programs should be connected. Under the stabilization act only the named

commodities are eligible for automatic stabilization payments. Potatoes are not a named commodity and therefore are not necessarily eligible for stabilization under the Act. Further, in view the sensitive nature of subsidies under international trade it is unwise to link the two programs.

AVERAGE YIELD VS. AREA YIELD

The N. B. Potato Agency, on behalf the producers, has previously asked that the subject of average yield be looked at. In a calamitous year of early frost or other crop disaster the growers' average yield for that year may be zero. This would reduce his level of coverage and, at the same time, raise his premium.

The Agency proposes crop insurance based on average yields of a specific area, rather than provincial yields. This system may take time to set up, but it would attract larger grower participation.

The New Brunswick Crop Insurance Commission has stated that while our position is understandable, federal legislation does not allow for any change. It is vital that this matter be addressed and legislation changed to allow producers to obtain insurance based on the area average.

The producers want insurance that would cover their loss. The majority of producers accept that under any insurance the risk should be covered between both parties. While it would be desirable to have 100% coverage, the average producer would rather accept 80% coverage and keep premiums as low as possible.

"OFFSETTING PRODUCTION METHOD" VS. "VARIETY COVERAGE"

Regarding risk splitting, although processing growers growing one or two varieties may find the "offsetting production method" acceptable, the seed grower will not. If the seed grower has four or five varieties he is able to utilize crop insurance as a management tool since with more varieties more risk is involved. Because of the higher risk, the producer has come to accept the higher premiums. If the "offsetting production method" is implemented, seed and tablestock growers are less likely to take a chance on new varieties, which are vital if there is to be a healthy industry in future.

Due to the high production cost producers alone cannot carry the burden of risk. If a grower encounters a problem with a particular variety and finds himself ineligible for compensation for that variety, the whole plan becomes exceedingly unattractive.

SELF-SUSTAINABILITY OF CROP INSURANCE PROGRAM

When the program began in New Brunswick, a number of claims were made. Producers who made a high rate of claims eventually had decreased coverage and higher premiums. For this reason a number of producers were forced out of the program, and some of that number eventually lost their farms.

Unfortunately when these producers opt out of the plan, it leaves a large amount of pay-outs to be recouped by the crop insurance. These monies must be repaid over a longer term by the growers who did not make a claim. Whereas, if all growers were to stay in the plan, those who receive claims would also be subject to pay back over the long term. It is not fair to those who are buying crop insurance now and using it as a production tool to penalize them because of this experience in the initial years. They should not have to carry the full cost of the ones who have collected in the past.

MORE OPTIONS MEAN GREATER PARTICIPATION

We hope that after this review is completed, the program will be improved and that it will encompass a variety of options that will be more attractive to the producer. Some possible options for consideration are: 1) increase coverage level to 100% of cost while having a

"deductible". The deductible amount could be based on the grower experience or capability factor and 2) a higher level of coverage for new varieties to cover the higher cost associated with developing these varieties. With a wider range of options a larger number of producers will have more participation and the program will receive greater funding from the production sector. Over the longer term, the producers will realize the value of having crop insurance available to them.

BACTERIAL RING ROT ERADICATION AND COMPENSATION

The Bacterial Ring Rot clause of the N. B. Crop Insurance program has come under discussion for the past three or four years. Seed potato producers have continually stated that they would like to buy a bacterial ring rot policy but not a production policy. That is, they would like to be insured against ring rot but not against the regular production type problems or risks. A bacterial ring rot eradication program which includes a low cost compensation package, would be the most cost efficient method of eradicating bacterial ring rot.

The Crop Insurance Commission has been providing data for discussions which have taken place over the last two years between the province and federal government concerning the establishment of a bacterial ring rot

eradication program. From these discussions it has become apparent that a viable plan can be worked out immediately.

FEDERAL AND PROVINCIAL COST SHARING ARRANGEMENTS

The ~~cost~~ crop insurance program has fallen prey to the spending restraint by the federal government. Many groups have been asking Agriculture Canada to have an evaluation of the crop insurance plan. Their requests have been granted due to the calamity in the West with the serious drought. We are now part of this process. We understand the government's concern with reducing federal spending. However, in view of Canada's cheap food policy, it should be remembered that the potato production industry is not only providing jobs, it is providing a low cost food item which most families cannot do without. If potato producers are to remain in business they must have access to insurance coverage at an affordable price. For this reason the government's contribution levels must be maintained.

The New Brunswick Potato Agency can agree with a method of funding for crop insurance decided by the federal and provincial governments providing there is no increase in the producers' share.

HIGHER INSURANCE COVERAGE FOR EXPERIMENTAL VARIETIES

50% to 60% of potato production in New Brunswick is for processing. In order to reduce their reliance on the processor, New Brunswick producers must find new varieties to create new markets for the remaining 40% to 50% of production. While producers develop new varieties, they should have access to insurance by variety to reduce the risk associated with the production of new varieties for new markets for the whole industry to enjoy. Therefore the variety coverage component of the crop insurance must be maintained and enhanced to form a complimentary package that will realistically cover the higher cost of production. Most often the potato grower who is working to develop a new variety is faced with higher seed costs. Yet the best coverage under crop insurance is based on the provincial average of a regular potato variety. Some growers have invested as much as $450 per acre this year just in the seed cost, while the processing grower will have paid only $110 for Russet Burbank production.

INSURANCE MUST COVER CHANGES IN SEED CERTIFICATION REGULATIONS

Currently seed regulations are being overhauled. Potatoes in storage could be de-certified as seed due to a field related incident which can only be detected after

harvest. For this reason crop insurance should be adjusted to cover changes in the regulations as they occur.

FASTER CLAIM PROCESSING

The Agency agrees that the Insurance Commission should study each claim carefully to eliminate possible abuse of the system. However a way to speed up the processing of claims must be found. Many producers when faced with a claim situation, feel that they are at the discretion of the Crop Insurance Commission and that it takes too long for decisions to be made when they must be made on the spot.

The Agency sees little value in additional federal funds being spent on further actuarial analysis. The crop insurance program over the long term is financially sound. We do not feel that it should be subject to actuarial analysis as frequently as is now the case.

"NEW LOOK" CONCEPT

Despite the "new look" concept, the basic policy should be maintained. The producers currently pay half the cost of the premium and the federal government pays the other half. Although the Commission's proposes that the government offer the basic low package while the producer

pays for any extra features, the Agency believes the government must maintain the same level of financial commitment. Under the proposed comprehensive and flexible package the producer would have to shoulder most of the cost since the government would be involved in such a low level financially. If this happened producers would refuse to participate in the program which would result in reduced funding for the program.

CONCLUSION

In closing, we hope that when the federal-provincial review is completed, changes will be made. Nearly 50% of New Brunswick potato producers currently participate in the crop insurance program. These producers want to see changes made in the crop insurance system to improve their coverage and reduce their cost. We trust that a more comprehensive type of coverage will be made available on a variety basis and thus, cover losses for which the risk is being insured, thereby enhancing the appeal of crop insurance to New Brunswick potato producers encouraging them to participate to a larger extent.

June 27, 1989

DEPARTMENT OF AGRICULTURE

N.B. GRAIN COMMISSION
P. O. BOX 6000
FREDERICTON, N.B.

NEW BRUNSWICK
NOUVEAU-BRUNSWICK

MINISTERE DE L'AGRICULTURE

COMMISSION DES GRAINS DU N.-B.
C.P. 6000
FREDERICTON, N.B.

CROP INSURANCE FOR GRAINS AND OILSEEDS

A brief presented to the Federal-Provincial Review Committee by the New Brunswick Grain Commission, June 26, 1989.

A. INTRODUCTION

The New Brunswick Grain Commission is responsible for the orderly development of the New Brunswick Grain Industry. Reporting directly to the Minister of Agriculture, the Commission consists of members representing growers of feed grain and pedigreed seed grain, and the livestock feed industry.

One major constraint to the development of our Grain Industry is the lack of adequate support programs to protect the farmer from financial hardship caused by losses of production and/or low market prices. This brief is intended to address the Commission's recommendations to improve Crop Insurance for Grain and Oilseeds in our province.

B. ATLANTIC GRAIN COUNCIL

The N.B. Grain Commission is a member of the Atlantic Grain Council, and supports the recommendations made by the Council in its brief to the Crop Insurance Review Committee. A copy of its submission is attached to this brief for the information of the reader.

C. COMMENTS AND RECOMMENDATIONS ON THE ISSUES.

1. Coverage

(a) The AVERAGE YIELD is the basis for determining the amount of coverage that a grower can obtain in a particular year. The average yield for a specific kind of grain on a specific farm should approximate the expected yield in a growing season which does not have any significant yield-depressing perils. It is wrong to reduce the average yield in the years following a loss of production due to a peril that is not expected to re-occur frequently. This is contrary to the practices of the private insurance industry which may raise premium after one or more losses, but maintains sufficient coverage to protect against the value of any subsequent losses.

(b) Crop Insurance uses an estimated PROVINCIAL AVERAGE YIELD to define coverage for new entrants into Crop Insurance, and to supplement the calculation of average yields for other growers with less than 7 years of experience while insured. There are three problems with this approach:

(i) The values of the provincial average yield have remained unchanged since 1980 and are out of date. They should be recalculated using more recent experience, and reflect regional differences in potential yield.

(ii) The provincial average yield as it is now defined does not recognize differences in expected yield attributable to different production practices. In cereals there is increasing evidence that the use of Integrated Cereal Management methods leads to significant increases in yields, compared to the minimal input approach.

(iii) A number of the "good growers" with large acreages and relatively high levels of management skills and production inputs , do not buy Crop Insurance. They state that the program will not recognize their higher yield expectations, and cannot offer sufficient coverage to provide meaningful protection against a loss if it were to occur.

(c) In N.B., Crop Insurance is offered only for spring-planted wheat, barley, oats and mixed grain. All producers of grain and oilseeds should be able to protect themselves under the Crop Insurance program. This means that coverage should be made available on buckwheat, winter wheat, milling wheat, hull-less oats, triticale, and grain corn. As well, there must be provisions to allow the insurance of new crops such as canola, and soybeans.

THE GRAIN COMMISSION RECOMMENDS:

(a) THAT THE MECHANISM USED TO CALCULATE THE AVERAGE YIELD FOR A PRODUCER BE AMENDED TO PROVIDE LONGER TERM STABILITY OF HIS COVERAGE. IN PARTICULAR, THE AVERAGE YIELD MUST NOT BE DECREASED WHEN SIGNIFICANT LOSSES OCCUR THROUGH NO FAULT OF THE PRODUCER.

(b) THAT THE "PROVINCIAL AVERAGE YIELD" BE REVISED, AND THAT SUCH REVISION CONSIDER
- ALL RECENT PRODUCTION DATA;
- SIGNIFICANT REGIONAL DIFFERENCES;
- THE EXPECTED YIELD RESPONSE TO VARIOUS CULTURAL PRACTICES, ESPECIALLY I.C.M.;
- A WAY TO ADJUST THE AVERAGE YIELD OF A NEW ENTRANT TO MORE QUICKLY REFLECT HIS EXPECTED PRODUCTION LEVEL;

(c) - TO OFFER CROP INSURANCE COVERAGE FOR ALL CEREAL AND OILSEED CROPS GROWN IN N.B.

2. Unit Price

(a) The price paid per unit of production when a loss results in an indemnity should be closely related to the value of the commodity in the year of the loss. This would allow the insurance to compensate the insured farmer for the value of his loss, which is the routine response he has experienced in other insurance protection he has carried over the years.

(b) Although improvements in crop insurance are badly needed by the N.B. Grain Industry, the lack of an adequate Price Stabilization program to accompany Crop Insurance is a serious constraint. It is recognised that the issue of the development of an appropriate Grain Stabilization program is outside the scope of this review. However, it is important to make the point that Crop Insurance and Stabilization programs must be compatible in a manner similar to their relationship under the Western Grain Stabilization Program.

(c) Until a suitable grain stabilization program is in place, the use of a market-based unit price approach should be offered as an option. The existing concept of formulating coverage to cover the cash cost of production should be maintained, with unit prices being set at a level to provide such coverage.

THE GRAIN COMMISSION RECOMMENDS:

(a) THAT CROP INSURANCE IN N.B. OFFER UNIT PRICE OPTIONS THAT ARE BASED ON SOME MEASURE OF THE ACTUAL MARKET VALUE OF EACH INSURABLE GRAIN AND OILSEED;

(b) THAT ANY AMENDMENTS TO CROP INSURANCE LEGISLATION, FEDERAL OR PROVINCIAL, ENSURE THAT CROP INSURANCE WILL BE TOTALLY COMPATIBLE WITH ANY GRAIN/OILSEED STABILIZATION PROGRAM THAT WILL BE DEVELOPED;

(c) THAT UNIT PRICE OPTIONS DESIGNED TO COVER C.O.P. SHOULD CONTINUE TO BE AVAILABLE UNTIL SUCH TIME AS A REALISTIC STABILIZATION PROGRAM IS IMPLEMENTED.

3. Other Issues

(a) The Grain Commission supports efforts to improve the administration of the Crop Insurance Program in N.B.

(b) The issue of self-sustainability is a reasonable concern for an insurance business. Care must be taken in imposing such conditions on Crop Insurance however, because of the high risk nature of this type of insurance. It is suspected that private insurance carriers are not in this business because they judge that it cannot be expected to break-even over time. How much can rates increase following severe loss events and still remain affordable? As well, governments must be prepared to apply this concept to all support programs, not just selected ones in Agriculture.

The New Brunswick Grain Commission apppreciates the opportunity to submit its comments to the Federal-Provincial Review Committee on Crop Insurance. It looks forward to the provision of meaningful financial protection for our producers of grain and oilseeds.

Respectfully submitted,

George Trueman,
Chairman.

ATLANTIC GRAINS COUNCIL

P.O. BOX 130, CANNING, N.S. B0P 1H0 (902) 582-7171

FEDERAL/PROVINCIAL CROP INSURANCE REVIEW

The Atlantic Grains Council appreciates the opportunity to participate in the consultation process surrounding the present review of federal/provincial crop insurance programs.

As a producer-based organization, we are well aware of the need for change; 80 to 85% of producers in the Maritime provinces presently feel that benefits provided by crop insurance are insufficient to justify premium costs.

We recognize that a primary objective of Agriculture Canada throughout this process is to maintain or reduce its share of program costs. The suggestions contained hereunder are made with the intent of identifying areas presently in need of improvement. They have not been curtailed to reflect a reduction in federal funding. We believe that such cost sharing questions should not be resolved until all concerns are aired, and the future role of crop insurance in providing a measure of stability in the agricultural sector is defined.

The Atlantic Grains Council wishes to raise the following areas of concern in connection with the Review:

1. Crop insurance must remain separate from any future grain safety net program, the former being used to protect against production risks, and the latter against market risks. Rolling the two together would remove the farmers' freedom to choose one or the other, or both, on their own merits.

   In addition, the two types of programs deal with two different sets of criteria; crop insurance applies to total production, and stabilization or safety net programs to annual consumption (presently only crop marketed). Attempting to reconcile the two would be difficult and distorting.

2. The implications of providing for higher allowable coverage levels (i.e. more than the present 80% in eastern Canada) should be investigated. In order to provide flexibility, this could be made an option, the cost of which the farmer would share. The additional cost to the farmer should relate to past individual farm performance.

3. There should be provision for "risk splitting", i.e. the coverage of each insurable crop on a field by field basis. This would result in actually covering the loss suffered by the farmer, rather than requiring his whole crop yield average to drop to the insured level before a payment is made.

   We recognize that this topic has been the subject of much discussion in the past, and that it has been avoided because of the anticipated problems of excessive premiums, excessive administrative costs, and abuse by farmers.

However, this is one of the main reasons that many producers in the Maritime provinces do not feel that their present crop insurance program is a good deal. Means of addressing this problem must be explored.

4. Care must be taken to ensure that coverage reflects particular risk inherent in the insured crop in question, for the particular area being insured. Commodity prices, yield and production costs for the particular crop and area must all be accurately taken into account. This would cover technological improvements due to varietal progress, crop management and farm efficiencies.

5. Producers who consistently pay more into the program than they receive in indemnities pose a reduced risk, and should be eligible for reduced premiums.

   Correspondingly, producers who consistenly pay less in premiums than they receive from the program pose an increased risk and should be required to pay higher premiums.

   This would make the program more equitable, and would avoid the situation where low risk producers subsidize higher risk ones.

6. Consideration should be given to cost sharing formulae other than the two presently in place in Quebec and the Atlantic Provinces (i.e. premiums 50/50 federal/producer and administration 100% provincial; or premiums 25/25/50 federal/provincial/producer and administration 50/50 federal/provincial).

   The objective should be to increase participation, thereby boosting total pool funds. Care must be exercised not to simply push federal funding responsibilities more and more onto the provincial governments and producers.

7. Crop insurance must remain a voluntary program; the choice as to whether or not to participate must remain with the farmer.

   Producers are concerned that demands by creditors for the assignment of crop insurance as loan secutiry are already eroding the farmers' freedom of choice in this regard. This is a problem which also needs to be addressed.

   However, for the purpose of this discussion "voluntary" is defined as Agriculture Canada not being able to compel producers to purchase crop insurance.

8. Once the desired changes to crop insurance are agreed upon by the industry, there should be no hesitation to change the federal legislation as required. This should not be considered as a limiting factor to potential changes.

9. We question the very short time frame being imposed by Agriculture Canada on the producer consultation process.

   While we acknowledge the federal government's desire to have changes in place for 1990, in order to withdraw from ad hoc progarms, we feel that due time and consideration must be given to the future of crop insurance.

   We therefore request further consultation, and in this connection offer the assistance of the Atlantic Grains Council to co-ordinate a Maritime workshop on crop insurance.

This would enable producers, provincial governments and the federal government to exchange views and discuss options with regard to the future of our crop insurance programs.

We trust that the above suggestions will receive due consideration by the federal/provincial Review Committee.

We are available at any time for further discussion.

June 14, 1989

N.B.S.C.I.A.

Brief to

National Crop Insurance Review

Forage Crop Insurance

Presented by

New Brunswick Soil and Crop
Improvement Association

June 27, 1989

N.B.S.C.I.A.

NATIONAL CROP INSURANCE REVIEW

FORAGE CROP INSURANCE

JUNE 1989

1. Taking all factors into consideration, New Brunswick is well suited for forage production, with approximately 173,000 acres in stored forage, and 93,000 acres in improved pasture. Of this 39 percent is in Northern N.B. and 61 percent in Southern N.B.

   Timothy is the main forage crop in N.B. making up by far the greater percentage of the total. Approximately 15% is in alfalfa and alfalfa mixtures. Considerable efforts are being made to expand the alfalfa acreage.

   Most of this forage is stored as dry hay, however, an increasing amount is being put up as silage and haylage. The predominant systems are tower and bunk silos with new systems such as round bale silage, Ram Pak and large square baled silage gaining widespread acceptance.

   Nearly all forage is utilized as on farm feed in the production of meat and milk, however, there is a small but growing market for good quality forage for export, mainly as dry hay.

2. Reasons for considering Crop Insurance for Forage:

   (a) Winterkill - New Brunswick generally speaking has harsh winters with good snow cover most years, particularly in Northern N.B. A winter with relatively no snow cover and alternate freezing and thawing may be disastrous to an alfalfa crop normally wiping it out almost entirely.

   This appears to be more of a problem in Southern N.B. due to a more temperate climate and less snow cover than Northern N.B.

   (b) Drought - This is more of a regional problem with certain areas exceptionally dry and others receiving normal precipitation. In the past there has been localized aid packages put forth by the province to assist in purchasing livestock feed. Those producers relying on alfalfa are less subject to shortages in dry years.

.../2

(c) Quality losses - The frequency of rain also is a serious problem in storing forage by the hay system. The chance of three fine days occurring successively during the haying season is only about one in three. This is the major climatic factor favouring a swing toward the use of barn drying and silage systems.

Weather induced delay of harvest severely reduces the quality of forage, both cut and standing as well as making traffic in the fields difficult to impossible.

Quality losses appear to be a province wide problem with no locality escaping.

3. Recommendations:

(a) The N.B.S.C.I.A. believes the N.B. forage growers should have the opportunity to insure their forage/feed production in the same way that producers in other provinces have.

(b) We realize there exists crop insurance plans for forage production but would also like protection as "Livestock Feed Security". The N.B.S.C.I.A. would like to be involved in the development process, whichever approach is taken, to ensure our growers get appropriate coverage.

(d) Forage Crop Insurance must recognize the range of cultural practices being used, especially methods of harvest.

(e) Forage Crop Insurance must meet the needs of growers at a cost they can reasonably afford. The Premiums must be set at a rate that would encourage the participation of forage growers.

DISCUSSION PAPER
PRESENTED TO THE
FEDERAL/PROVINCIAL REVIEW OF
CROP INSURANCE
BY THE
N.B. FEDERATION OF AGRICULTURE.
FREDERICTON, N.B. June 27, 1989.

The New Brunswick Federation of Agriculture welcomes this opportunity to make known to this Review Committee our views on Crop Insurance. We trust you will have an impact when your report is complete and the recommendations will be acted upon to the benefit of all Canadian farmers.

Farmers are afraid of government today. Why? Basically because so much is happening so fast to them. They are not being kept well informed nor involved in the discussions that can affect their futures. In short, so much is "cut and dried" before being discussed, the farmers feel they are little more than pawns in an elaborate game.

First of all, it appears on the surface to many farmers that Crop Insurance has become another victim of the Federal Government's fiscal restraint programs.

By that I mean the conception many of us have is that Ottawa wants to get out of as many obligations to farmers as it can and as quickly as it can. By shifting the burden onto the backs of the provinces and the farmers, the semblance of a three-way partnership is maintained but the dollar commitment is changed. It is totally unfair to the smaller provinces such as ours.

Having said that, I want to add that crop insurance has never been the panacea most non-farming Canadians believe it to be. The formulas in place today returns the farmer part of the cost of production for an insured crop but does not include any consideration for the work that went into it, the loss of potential income from the crop nor the cost of borrowing the money to plant the crop in the first place.

Agricultural production of food crops is a very high risk venture subject to the whims of the weather, plagued by disease and insects and uncertain of a market return IF and WHEN the crop is harvested and sold. Perhaps there can never be a reasonably priced way farmers can insure and protect themselves from all of these hazards. Governments may have to realize there will always be a price they must be prepared to pay to have a food production system in place.

Statements earlier this year by Federal Agriculture Minister Don Mazankowski that Canadian farmers should use crop insurance to protect themselves because Ottawa would not be paying disaster relief as it has in the past is cause for concern by farmers in Eastern Canada. The amounts paid Western Canadian farmers for grain crops over the years has been disproportionate to what Eastern farmers have received. Now, we are told that because farmers in one area of Canada have a higher risk factor than those in other areas, all will pay the same penalty in the future.

The N.B. F. A. fears any radical changes in crop insurance will result in the richer provinces such as Quebec, Ontario and Alberta putting in place programs to protect their farmers while provinces without the vast resources and high tax base will be left out in the cold. This is not only unfair but detrimental to a national agricultural policy in place in this country for over a century.

Ottawa must recognize regional differences and base any future crop insurance program on those differences in risk and liability in the event of a loss. There is no other way the system will have a degree of fairness to all Canadian farmers.

A good crop insurance program is essential for farmers as a management tool to help cover the risks involved in agricultural production. The N.B.F.A. supports such a program. We want a program that will cover not only the commodities now insurable in this province but will offer to farmers the opportunity to insure all their crops.

Perhaps the way crop insurance policies are written could be changed to permit farmers options in the coverage they desire. If, for instance, a BASIC POLICY were in place at a low premium, the farmer would then have the option to add riders for specific damages that would cost him more but in the event of loss, pay more as well. This would spread the load of coverage out and give producers the type of coverage they want for their operation.

A farmer knows his risk better than anyone else. He should have the options available that covers the risks but not necessarily have to opt for a total package.

We also ask for a broadened crop insurance program to cover more commodities. Forages should be covered and blueberries are another crop in need of a program. There should be consideration for more horticultural crop coverage and, as I said before, the risk factors should be divided so the producer can select what coverage above a basic package is required.

Wildlife damage is particularly severe in some areas in certain years. Perhaps this should also be examined because enviromentalist concerns are making it difficult to eradicate pests. Claims in this area should be at 100 percent.

The existing crop insurance program is a good one but has slipped out of tune with the times. A radical change is probably not needed but a way to make the existing program work more effectively is desirable. It would be easier to amend and make the existing program work than create a new one. This should incorporate the basic principles available now but update the dollar values to the real timeframe.

The N.B.F.A. strongly believes Crop Insurance must remain a tripartite program with cost sharing between the two levels of government and the producers. Any move to shift more of the cost to producers will result in declining sales of crop insurance to farmers who are operating about as close to the line as possible.

Farmers must also be kept well informed of crop management practices that help eliminate risk factors. Through demonstration plots and trials, new varieties should be well tested and demonstrated before farmers use them. If problems are identified with certain varieties but those varieties are desirable for production, crop insurance options should be available to identify the risks involved.

The seed industry also needs special crop insurance programs to recognize the inherent risks for such producers. This is particularly true for potato producers who must contend with a variety of diseases which can eliminate a seed crop from certification in spite of the best care exercised by the producer.

We also believe the present method for determining average yield is too broadly based and does not take into account regional climatic or soil conditions. This should be changed to reflect the regional nature of agricultural production and present more realistic production figures upon which claims would be based. The net result would be comparing production among peer producers instead of comparing to national averages.

There are many other areas where changes could be made that would benefit farmers. Perhaps a whole-farm policy could be introduced to provide the Basic Coverage program for producers that would satisify the needs of many farmers. This would be especially good for farmers with a diverse production base featuring several types of crops.

The options available to producers should be expanded. It should be possible for farmers to insure at a higher level if they desire. For instance, some plans now permit such a policy and give the producer the option to spread his risk out further. This feature could be included in most plans available.

Every avenue should be explored to find ways to cut administrative costs for crop insurance. At the same time, we recognize the need for adequate supervision and claim investigation but believe this could also be speeded up so farmers would receive their payments faster.

The N.B.F.A. does not believe it is possible to tie crop insurance to programs such as stabilization or disaster relief and it should not be viewed as the solution to those problems. However, we do agree that crop insurance should form part of the risk management program and farmers who take the precaution of insuring should receive the benefit from their foresight and preplanning. Unfortunately, governments have demonstrated in the past that political reality is often unavoidable and pressure has a way of translating into assistance on a broad basis rather than to those who took advantage of programs of risk-management.

The New Brunswick Federation of Agriculture supports the necessity of a good crop insurance program that is:

.....broadbased and responsive to producer needs.

.....available at a cost producers can afford.

.....has a fair tripartite cost sharing formula for premiums.

.....can be tailored to individual farmer requirements.

.....recognizes regional production differences.

.....is efficient and cost effective.

.....capable of updating to include new production.

.....has a fair way of determining loss and compensation.

.....covers hail and fire losses to crops to 100 percent.

This review will serve a valuable purpose if it can give the Federal Government a workable plan for the future. The present system of crop insurnace is in need of revision and we welcome the opportunity to have some input into that. We also want to see changes made that respond to the wishes of the farmers and not for bureaucratic tinkering.

The opportunity provided me today to bring the concerns of the N.B.F.A. to you has been most appreciated. I believe we can work together in Canada as producers to get common goals and programs in place to benefit all farmers. I also believe governments must respond to the ideas of the producers and create an atmosphere of cooperation for the future.

Food production is risky business. There are few guarantees in farming and very few certainties when a crop is planted in the ground. Any program that helps alleviate some of the risk and share some of the cost in the event of a loss is welcomed but a good program that takes into account the various factors of agricultural production will be essential for the future.

Thank you.

Fédération des agriculteurs et agricultrices
francophones du Nouveau-Brunswick

Mémoire présenté au Comité d'examen fédéral-provincial de l'assurance-récolte

Fredericton, Nouveau-Brunswick
le 27 juin 1989

1. Introduction

Il serait faux de prétendre que le programme d'assurance-récolte a atteint ses objectifs au Nouveau-Brunswick. Seulement 50% environ des producteurs de pomme de terre y participent et beaucoup moins encore dans les céréales. Les productions horticoles en sont également pratiquement absentes.

L'examen du programme revêt donc une grande importance. L'assurance-récolte doit jouer un plus grand rôle, tant pour les productions actuellement incluses que pour certaines autres productions.

Par ailleurs, dans le contexte du libre-échange et du G.A.T.T., l'assurance-récolte peut être l'un des programmes les moins contestables. Il y a donc lieu de lui accorder une plus grande attention.

2. Historique

A ses débuts, le programme d'assurance-récolte a dans certains cas été utilisé pour compenser les prix très bas du marché. Ce phénomène explique le nombre élevé de réclamations à l'origine. Les producteurs ont par la suite dû faire face à une forte augmentation des primes et plusieurs ont dû abandonner le programme. Une mauvaise compréhension du programme, de même que la situation critique de la pomme de terre sont les principaux facteurs responsables de cette utilisation du programme à ses premières années.

Aujourd'hui, l'assurance-récolte est beaucoup plus percue comme une police d'assurance. Toutefois, la forte augmentation des primes pour compenser ces premières années et le retrait de plusieurs producteurs, de même que la couverture éligible font en sorte que le programme est relativement peu utilisé.

3. La réforme du programme d'Assurance-récolte

3.1 Assurance-récolte vs stabilisation des prix

Il est clair au départ que le programme d'assurance-récolte n'est pas et ne doit pas être utilisé comme un moyen pour stabiliser les prix. La responsabilité individuelle doit garantir cet objectif.

L'intégration de l'assurance-récolte et de la stabilisation pourrait exposer les producteurs de pomme de terre à des mesures compensatoires de la part des américains.

3.2 Pertes limitées ou pertes majeures

Le programme d'assurance-récolte doit permettre de couvrir tant les pertes localisées (eg, variété spécifique) que les pertes découlant d'une calamité majeure.

La prime individualisée doit être en mesure de décourager les abus.

3.3 La responsabilité individuelle

Chaque producteur est responsable de son utilisation du programme. De même, il n'appartient pas à un producteur de payer la note pour ceux qui font une grande utilisation de l'assurance-récolte et qui éventuellement peuvent se retirer du programme à cause des primes trop élevées.

3.4 Maintien d'un programme à frais partagés

Les risques naturels reliés aux productions végétales sont très élevés. Au Canada, comme cela est le cas dans la plupart des autres pays, le programme d'assurance-récolte doit être une initiative à frais partagés entre les gouvernements et les producteurs. Les gouvernements doivent maintenir et même améliorer dans le cas du provincial, leur participation. Malgré la période de restrictions budgétaires, le gouvernement fédéral ne doit pas réduire sa participation dans un programme aussi acceptable sur le plan international. Il doit plutôt chercher à l'améliorer dans le but d'éviter les paiements spéciaux en cas de calamité majeure.

A l'heure actuelle, les producteurs paient 45% des frais du programme. Il ne serait vraiment pas logique de leur en demander davantage.

3.5 Favoriser une plus grande participation des producteurs et des productions

L'assurance-récolte doit être améliorée de façon à favoriser

une plus grande participation des producteurs. Elle doit aussi viser le plus grand nombre de productions possible.

3.6 Ne pas masquer les signaux environnementaux

Le besoin de recourir fréquemment à l'assurance-récolte peut être un indice de la dégradation des sols. L'assurance-récolte ne doit pas être utilisée pour compenser des problèmes environnementaux.

La prime individualisée, basée sur l'utilisation du programme doit permettre d'éviter que ce dernier devienne une mesure de compensation reliée à la dégradation des sols.

4. Les changements proposés

4.1 Flexibilité - fractionnement du risque

La Fédération des agriculteurs et agricultrices francophones du Nouveau-Brunswick favorise des changements majeurs au programme d'assurance-récolte. L'objectif prioritaire des changements est d'assurer une plus grande flexibilité au programme. Dans cette perspective, le fractionnement du risque doit devenir une composante clée du programme.

Une assurance de base semblable au programme actuel ne répond pas aux besoins des entreprises. Il est donc essentielle que des options soient disponibles pour les producteurs au coût le plus bas possible. La proposition du document de travail de concentrer la

participation financière gouvernementale dans l'assurance de base risque de rendre les options beaucoup trop coûteuses.

La Fédération appuie les différentes options qui sont proposées dans le document de travail.

4.2 Les primes individuelles

Les primes individuelles constituent, avec les contrôles administratifs, le principal moyen pour contrôler les abus. Elles doivent donc être établies en fonction des risques de la production et des réclamations antérieures de l'entreprise. L'échelle des primes doit être structurée de façon à décourager très nettement plus d'une réclamation sur une période de cinq ans par exemple.

Il serait également possible d'inclure dans le calcul de la prime des facteurs tels la qualité des sols (contrôle de l'érosion, taux de matière organique, drainage).

4.3 Le calcul des rendements moyens

Le calcul des rendements moyens assurables doit être basé sur les rendements individuels moyens, par exemple sur 5 ou 10 ans, en excluant les années de pertes majeures. A l'heure actuelle, le programme prévoit deux mécanismes de "pénalité" en cas de réclamations: - l'augmentation des primes individuelles

- la diminution des rendements assurables.

Nous croyons que ce double système de "pénalité" est abusif. Le contrôle de l'utilisation du programme doit se faire par l'entremise des primes individuelles et du contrôle administratif.

Lorsque les rendements individuels ne sont pas disponibles, le calcul des rendements assurables doit être basé sur la moyenne des rendements régionaux ou la capacité productive réelle.

Quant au niveau de couverture, différentes options pourraient être disponibles. La prime serait fixé en conséquence du niveau voulu.

3.4 L'inclusion de nouvelles productions

Deux productions en particulier se sont montrées intéressées à intégrer l'assurance-récolte. Avec les développements récents de l'industrie du bleuet, il devient indispensable que ces entreprises aient accès au programme.

Le calcul des rendements assurables risque de poser quelques problèmes pendant les premières années, les rendements pouvant varier grandement d'une entreprise à l'autre et peu de données fiables étant disponibles. Il sera donc nécessaire de s'orienter dès que possible vers les rendements individuels.

Des producteurs de sarrazin ont également demandé à être inclus dans l'assurance-récolte.

De façon générale, un mécanisme devrait être prévu pour favoriser l'entrée de nouvelles productions.

4.5 Améliorations administratives

La Fédération appuie les mesures proposées dans le document de travail pour améliorer l'administration et mieux contrôler l'utilisation du programme. Ces mesures devraient améliorer la crédibilité et l'efficacité du programme.

Une autre mesure nous a été proposée pour les productions céréalières: que seule la production à partir de semences certifiées soit éligible.

5. Conclusion

La Fédération appuie les efforts gouvernementaux dans le but d'améliorer le programme d'assurance-récolte. Nous sommes conscients qu'un des objectifs du gouvernement fédéral est d'éliminer le recours à des programmes spéciaux, tel celui pour compenser la sécheresse dans l'Ouest.

Tout en reconnaissant le bien-fondé de cet objectif, nous croyons que la révision de l'assurance-récolte doit être globale et viser tant les pertes limitées que les catastrophes.

Nous partageons également l'objectif du gouvernement fédéral de mieux harmoniser le programme d'une province à l'autre. L'assurance

récolte ne doit pas être utilisée par les gouvernements provinciaux pour favoriser leurs entreprises au détriment de celles d'une autre province.

Finalement, nous demandons que des démarches soient entreprises dès maintenant pour inclure le bleuet et le sarrazin dans l'assurance-récolte. Compte tenu des risques de délais dans les changements législatifs à l'assurance-récolte, l'inclusion de ces productions doit recevoir une attention prioritaire.

Brief to N. B. Crop Insurance Commission

Fredericton, N. B.

June 27, 1989

GENERAL ISSUES: Since many of these issues are inter Government, Federal and Provincial, these issues will be discussed to death I will deal only with specific issues.

SPECIFIC ISSUES

YIELD DETERMINATION

COVERAGE LEVELS

UNIT PRICES

RISK SPLITTING

NEW OR EXPERIMENTAL CROPS

FORAGE INSURANCE

SELF-SUSTAINABILITY AND PROGRAM ADMINISTRATION

YIELD DETERMINATION: It is my feeling that yield determination should be appraised by an independent appraiser - this is to be determined as follows - growers production history - if available, growers sales history if production history not available. This appraisal should have a one time charge - The precentage of participation in this cost be determined by Crop Insurance Commission and grower groups.

COVERAGE LEVELS: Coverage levels should be available to a 90% or better level, down to 75% level as determined between grower and agent at varied prices for Insurance. Spot Insurance option should also be available. Cost of Insurance should be determined also in the appraisal. Factors entering into this system are as follows, price per acre for a precentage of courage plus an amount per acre as the risk dictates. Soil proper PH for the crop, amount

of fertilizer used, time of planting, certified seed used, OR NOT drying facilities available, combine available, general conditions in that zone, past history of harvest completion, etc. These should all be rate or price factors from a business point of view thus giving reasonable rates for the factors that contribute to lowering the risk.

NEW OR EXPERMINENTAL CROPS: These should be covered by a market risk program for the experimental period however it is necessary that there is close co-operation and data transfer between the people from marketing and Crop Insurance Commission so data is in place for the crop to be insurable at the end of the market risk program. Market risk programs are valuable for new crops and must continue.

UNIT PRICE: In the business world most items are insured at a percentage of or replacement value. This also should hold true of crop insurance thus eliminating market conditions as a factor in the risk.

RISK SPLITTING: This could be an option with an increased premium for those who wish to purchase it.

SELF-SUSTAINABILITY AND PROGRAM ADMINISTRATION: High risk policies should have a higher premium. Low risk policies should have a low premium as in the business world when a claim is paid the insurance rate goes up but the coverage remains the same. The policy of increased rate and deminishing coverage should not exist.

If a grower has a good production and harvest record his cost per acre should reflect this. Thus, higher volume of insurance is achieved. Rendering the program more RE self sustaining.

With regard to administration, perhaps group insurance with low risk should be considered as a starting point. EXAMPLE: Valley Grain Pool members who subscribe their grain to the pool receive a specific rate (including field administration) as everything is in place for such a group. Office and administration facilities, grading facilities, storage, and a marketing system in place.

These are all risk reducing factors and perhaps an administration fee be attached to such a group policy or a reduction to compensate for the record keeping, writing up a grower policy, and general field administration of that group. Intensive grain management practises are monitored by the pool and there should be a level of insurance for this.

I hope that some of the ideas that I have outlined in this presentation will be used to the benefit of the producers and the insurance commission.

Thank you

J. Allison Toner

J. Allison Toner

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- CONSIDER A LARGE ACREAGE DISCOUNT TO ENCOURAGE BIGGER PRODUCERS TO PARTICIPATE.

L'Association des producteurs commerciaux
de grains du N.-B.

Considérations présentées au Comité de révision de l'Assurance-récolte

le 27 juin 1989

Je me fais aujourd'hui le porte-parole de notre association en espérant que ma vision respecte celle de nos membres. En effet nous n'avons pas eu l'occasion, faute de temps et surtout à cause de la saison, de nous rencontrer pour discuter de cette révision.

Je peux cependant vous assurer que les plaintes au sujet de cette assurance furent entendues bien avant l'annonce de cette révision et qu'en conséquence je peux me sentir à l'aise d'en parler.

Toute assurance de quelque nature qu'elle soit vise à couvrir un risque éventuel. Ce risque peut être couvert plus ou moins bien selon le plan offert et en relation de son coût. Il faut donc, pour qu'un plan soit accessible et intéressant, qu'il ait la capacité de sécuriser, selon des primes abordables, l'individu client qui en pressant le besoin.

Hors la nature du besoin est fonction de risque et de coût. C'est là la considération du client et également celle de l'assureur.

Si l'on se penche sur l'aspect risque il faut bien, convenir qu'un plan, pour se vendre doit correspondre au besoin de l'acheteur. Le besoin de l'acheteur varie selon ses risques et ses risques varient selon que sa production est spécialisée ou complémentaire.

Le risque d'un producteur céréalier qui consomme sa propre production parallèlement à une production laitière n'est pas le même que celui qui vit seulement de la production céréalière. Au niveau du rendement le risque peut se rapprocher du producteur commercial ou s'en éloigner selon les objectifs visés par le producteur. Si le but premier de la production céréalière d'un producteur laitier est de refaire ses prairies pour améliorer sa production fourragère et sa qualité le risque est loin d'être le même que celui du producteur commercial. Celui-ci, doit gagner sa vie avec ses céréales tandis que l'autre la gagne avec sa production laitière qui dépend bien plus d'une bonne qualité de fourrage que de la production céréalière qu'il maintient pour refaire ses prairies.

A la lumière de cet exemple on peut saisir que le risque à couvrir peut être d'une nature très différente d'un producteur à l'autre. Donc il y a nécessité d'une très grande flexibilité.

Il faut donc reconnaître qu'une assurance ne peut être bonne que dans sa manière de couvrir les risques. Si les risques sont variés, différents, il faut donc que le plan d'assurance soit flexible dans la mesure du risque à protéger.

Cela m'amène à considérer la nature de certains risques en supposant que les céréales sont le gagne-pain, donc le risque à protéger, du producteur.

Pour un producteur commercial le risque à couvrir, pour qu'il soit significatif, doit viser une couverture par espèce plutôt que globale. Il ne doit pas être nécessaire, pour lui, d'assurer le tout de sa production mais la couverture pour seulement une espèce doit lui être accessible. Un risque spécifique comme couverture doit lui être accessible par example la grêle, les légionnaires. La prime doit être fonction de son risque historique afin d'éviter la non-chalance, le manque de gestion, etc. La couverture doit être disponible en fonction d'une spécialité telle la production de semence ou la production pour la consommation humaine ou les coûts de production, donc les risques encourus sont beaucoup plus grands. En production de semence les risques de perte de qualité en raison de la germination ou de la maladie, exemple l'ergot sont des risques importants à couvrir. Repousse volontaire.

Il se peut que le producteur spécialisé, tenant compte des techniques de production avancées qu'il utilise, ne sente pas le besoin d'assurer ses rendements mais seulement les risques inhérents à la nature et imprévisible et incontrolable tel la grêle, le manque de germination, l'ergot, etc. Il faudrait que l'assurance-récolte puisse offrir un plan qui réponde à ce besoin sans y faire entrer un élément de risque obligatoire qui rende la prime si élevée que la couverture nécessaire devient jugée inaccessible par le producteur. S'il y a un risque particulier qui se rattache à certaines variétés plutôt qu'à une espèce il faudrait que la couverture de ce risque particulier soit accessible pour cette variété ou catégorie seulement. Exemple l'orge de brasserie ou le niveau de protéine peut la déclasser à une orge fourragère. Le blé à consommation humaine ou la maladie peut le déclasser à un blé fourrager, etc.

Il y a, de plus, certains risques de gestion que l'assureur peut refuser à cause de réclamation imminente par manque de sérieux du producteur. Exemples: semences non-pédigrées et non traitées contre les maladies de semence, fertilisation inadéquate pour le besoin de l'espèce, manque de contrôle des mauvaises herbes, taux de semis inadéquat, etc.

Voilà en somme le genre de plan d'assurance que je désire. Un plan flexible, adapté au producteur, en fonction de ses risques et de ses besoins.

STRAWBERRY CROP INSURANCE

A summary of comments made on the discussion paper of the federal-provincial Crop Insurance Review, by the N.B. Advisory Committee for Strawberry Crop Insurance.

INTRODUCTION

There is no provincial organization for Strawberries, but because of the importance of an improved crop insurance program, the Advisory Committee (7 growers) of the N.B. Crop Insurance Commission agreed to meet to prepare a response. Representatives were unable to attend the hearings in Fredericton on June 26-27, and wish to submit their reply in writing to the review committee.

COMMENTS AND CONCERNS

1. Unit Price should be related to Cost of Production on a per acre basis, not per quart.

2. It was agreed that the cost of coverage levels greater than 80% should be investigated. The present system of lower coverage levels for older berries should be dropped.

3. Crop Insurance for Strawberries is quite expensive now, and the cost to the farmers should be carefully watched to keep the program affordable.

4. The "provincial average yield" is out of date and should be revised. In cases where intensive management is practiced, the average yield should be adjusted upwards to reflect the higher yield expected.

5 Crop losses caused by weather events that can't be controlled by the grower, should not reduce the average yield for that producer.

6. Spot-loss coverage should be made available for certain perils such as hail, winter-kill, frost, and disease.

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7. Irrigated berries have a lower risk and a higher yield. This should earn a lower premium rate and a higher average yield. Perhaps the same benefit should be given to crops grown near large bodies of water.

8. The existing surcharge/discount system is fair and works well.

9. In certain situations, the grower has to absorb a large loss before crop insurance will pay. For example, high yields which cannot be harvested because of weather, can result in the farmer losing more than half of his crop with no indemnity being payable.

10. Crop Insurance should look into a dollar-value deductible which would affect premium rate, and would clearly state what the grower can expect to absorb if a loss occurs.

11. Coverage should begin at the time of establishment, and cover the actual costs incurred by the grower. It should recognize the C.O.P. for each operation performed.

12. There should be a plant rider like the one for apple trees.

13. There is concern that different cost-sharing arrangements between Canada and N.B. will result in poorer insurance protection because a small province can't afford what a big province can.

It is hoped that these comments are helpful, that crop insurance for strawberries will be improved, and that many producers will then be able to justify protecting themselves under this program.

July 4, 1989